REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

THE FRANK LLOYD WRIGHT FOUNDATION

July 31, 2019 and 2018

MOSSADAMS

Table of Contents

MOSSADAMS

Report of Independent Auditors

To the Board of Trustees
The Frank Lloyd Wright Foundation

Report on Financial Statements

We have audited the accompanying financial statements of The Frank Lloyd Wright Foundation (the "Foundation") which comprise the statements of financial position as of July 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Frank Lloyd Wright Foundation as of July 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, The Frank Lloyd Wright Foundation adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Accounting Standards Update has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Moss Adams LLP

Phoenix, Arizona
October 31, 2019

ASSETS

	July 31, 2019	July 31, 2018
CURRENT ASSETS		
Cash and cash equivalents	$ 664,274	$ 531,854
Accounts receivable, net	243,689	208,381
Pledge receivables	903,173	-
Retail inventories	209,604	203,843
Prepaid expenses	154,105	156,325
Total current assets	2,174,845	1,100,403
Investments	2,139,710	2,382,980
Property, plant, and equipment, net	10,086,475	9,791,441
Archives, art objects, and drawing library collection	2,859,567	2,780,092
Other assets	38,191	-
Total assets	$ 17,298,788	$ 16,054,916

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES		
Current maturities of capital lease payable	$ 18,309	$ 17,601
Accounts payable	194,058	369,396
Accrued expenses	331,373	300,462
Deferred revenue	77,092	104,762
Line of credit	522,143	-
Total current liabilities	1,142,975	792,221
Capital lease payable, less current maturities	40,544	58,853
Long-term benefit payable	17,500	17,500
Total liabilities	1,201,019	868,574
NET ASSETS		
Without donor restrictions		
General	12,706,313	12,562,171
Board designated	1,669,050	2,049,244
Total net assets without donor restrictions	14,375,363	14,611,415
With donor restrictions	1,722,406	574,927
Total net assets	16,097,769	15,186,342
Total liabilities and net assets	$ 17,298,788	$ 16,054,916

The Frank Lloyd Wright Foundation
Statements of Activities

	Year Ended July 31, 2019			Year Ended July 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support						
Public tours and access	$ 3,902,544	$ -	$ 3,902,544	$ 3,603,113	$ -	$ 3,603,113
Licensing program	1,004,354	-	1,004,354	1,085,836	-	1,085,836
Retail program	1,919,831	-	1,919,831	1,921,020	-	1,921,020
Contributions, grants, and membership	946,627	1,559,769	2,506,396	1,430,106	496,357	1,926,463
Investment income						
Interest and dividends	68,098	-	68,098	63,102	-	63,102
Realized and unrealized gains	80,259	-	80,259	54,490	-	54,490
Other income	353,991	-	353,991	399,721	-	399,721
Net assets released from restrictions	412,290	(412,290)	-	174,638	(174,638)	-
Total revenues and other support	8,687,994	1,147,479	9,835,473	8,732,026	321,719	9,053,745
Expenses and other losses						
Preservation and stewardship	2,056,393	-	2,056,393	1,779,807	-	1,779,807
Retail program	1,463,608	-	1,463,608	1,489,511	-	1,489,511
Public tours and access	1,716,242	-	1,716,242	1,557,919	-	1,557,919
Taliesin fellowship	417,426	-	417,426	621,702	-	621,702
Licensing program	536,993	-	536,993	646,375	-	646,375
K-12 education program	382,070	-	382,070	238,963	-	238,963
School support	1,169,864	-	1,169,864	1,169,032	-	1,169,032
Total program	7,742,596	-	7,742,596	7,503,309	-	7,503,309
Fundraising and membership	937,051	-	937,051	855,617	-	855,617
Management and general	244,399	-	244,399	269,029	-	269,029
Total expenses and other losses	8,924,046	-	8,924,046	8,627,955	-	8,627,955
Change in net assets	(236,052)	1,147,479	911,427	104,071	321,719	425,790
NET ASSETS, beginning of year	14,611,415	574,927	15,186,342	15,019,309	1,735,579	16,754,888
Transfer of School assets and liabilities as of August 1, 2017	-	-	-	(511,965)	(1,482,371)	(1,994,336)
NET ASSETS, end of year	$ 14,375,363	$ 1,722,406	$ 16,097,769	$ 14,611,415	$ 574,927	$ 15,186,342

See accompanying notes.

	Year Ended July 31, 2019										
	Preservation and Stewardship	Retail Program	Public Tours and Access	Taliesin Fellowship	Licensing Program	K-12 Education Program	School Support	Total Program	Fundraising and Membership	Management and General	Total Expenses
Program and special activities	$ 17,779	$ 1,160	$ 27,151	$ 1,688	$ 20,402	$ 3,024	$ 1,018	$ 72,222	$ 36,972	$ 1,198	$ 110,392
Salaries and related taxes	1,408,347	318,637	780,500	179,337	298,620	259,463	114,682	3,359,586	590,787	134,842	4,085,215
Fringe benefits	150,444	23,514	44,633	16,324	26,388	25,390	8,232	294,925	37,729	9,679	342,333
Depreciation and amortization	169,048	31,138	70,069	82,584	8,898	21,317	257,409	640,463	12,794	20,093	673,350
Printing	635	465	2,162	132	489	312	127	4,322	28,405	149	32,876
Professional and other fees	202,696	12,521	33,701	18,176	102,786	8,780	25,700	404,360	40,506	19,402	464,268
Interest/bank fees	6,400	48,462	9,538	2,915	1,153	916	2,793	72,177	7,728	3,284	83,189
Postage	6,450	25,655	56,152	415	231	85	264	89,252	9,941	310	99,503
Office supplies	77,200	22,056	8,096	5,376	2,050	14,050	1,845	130,673	6,029	2,170	138,872
Advertising and public relations	3,953	28,572	187,602	1,697	19,241	2,876	1,728	245,669	23,865	2,031	271,565
Travel	22,423	5,238	7,516	3,131	12,693	2,189	2,729	55,919	8,053	3,209	67,181
Telephone	11,774	2,904	6,147	2,687	3,041	1,141	1,448	29,142	5,171	1,702	36,015
Repairs and maintenance	476,877	1,246	3,454	2,237	728	602	1,922	487,066	1,671	2,259	490,996
Data processing	39,019	20,624	31,667	14,121	27,580	25,241	14,391	172,643	53,765	16,921	243,329
Insurance	45,986	13,033	36,127	19,722	7,614	6,301	20,099	148,882	17,475	23,633	189,990
Utilities	44,611	8,376	19,032	21,727	2,499	5,663	66,478	168,386	3,770	640	172,796
Dues	9,935	1,289	5,217	1,162	1,971	400	1,164	21,138	5,979	1,368	28,485
Rent expense	4,029	2,009	5,055	783	122	101	323	12,422	281	380	13,083
Support of School of Architecture at Taliesin	(646,555)	-	-	-	-	-	646,555	-	-	-	-
Cost of goods sold	-	884,161	-	-	-	-	-	884,161	-	-	884,161
Reservation expense	-	-	295,064	-	-	3,919	-	298,983	-	-	298,983
Miscellaneous/other	5,342	12,548	87,359	43,212	487	300	957	150,205	46,130	1,129	197,464
Total	$ 2,056,393	$ 1,463,608	$ 1,716,242	$ 417,426	$ 536,993	$ 382,070	$ 1,169,864	$ 7,742,596	$ 937,051	$ 244,399	$ 8,924,046

The Frank Lloyd Wright Foundation
Statements of Functional Expenses (continued)

	Year Ended July 31, 2018										
	Preservation and Stewardship	Retail Program	Public Tours and Access	Taliesin Fellowship	Licensing Program	K-12 Education Program	School Support	Total Program	Fundraising and Membership	Management and General	Total Expenses
Program and special activities	$ 19,659	$ 2,721	$ 34,990	$ 6,569	$ 49,062	$ 1,342	$ 302	$ 114,645	$ 61,249	$ 326	$ 176,220
Salaries and related taxes	1,162,432	309,134	679,632	286,997	359,183	131,031	127,014	3,055,423	453,058	136,945	3,645,426
Fringe benefits	155,992	19,349	40,588	33,087	16,347	17,222	11,351	293,936	27,467	11,876	333,279
Depreciation and amortization	158,841	29,316	61,506	77,598	8,376	20,043	241,867	597,547	11,870	26,219	635,636
Printing	1,267	393	9,394	479	1,941	443	475	14,392	18,256	512	33,160
Professional and other fees	124,054	21,288	51,237	43,379	58,453	29,183	41,158	368,752	30,076	33,292	432,120
Interest/bank fees	6,231	49,084	9,739	3,481	1,560	638	3,267	74,000	7,063	3,523	84,586
Postage	6,564	27,084	57,409	343	474	75	384	92,333	4,853	366	97,552
Office supplies	65,483	18,675	7,683	12,462	1,273	11,830	1,891	119,297	5,910	1,914	127,121
Advertising and public relations	7,301	30,181	162,462	3,058	15,812	4,013	3,031	225,858	20,658	3,268	249,784
Travel	25,359	5,948	8,492	4,177	7,756	3,864	3,794	59,390	9,061	3,836	72,287
Telephone	11,625	4,408	8,240	4,383	4,541	972	2,610	36,779	5,931	2,576	45,286
Repairs and maintenance	476,074	1,279	2,864	2,561	749	351	1,876	485,754	1,270	2,022	489,046
Data processing	29,461	16,261	24,177	13,307	7,189	3,638	13,191	107,224	19,742	14,222	141,188
Insurance	41,108	13,233	32,357	21,381	8,465	3,970	21,366	141,880	13,340	22,851	178,071
Utilities	45,409	8,906	18,693	21,962	2,717	5,902	65,195	168,784	3,900	841	173,525
Dues	14,545	3,999	5,616	2,450	1,783	459	2,376	31,228	11,061	2,561	44,850
Rent expense	1,872	2,040	3,000	1,343	154	72	385	8,866	242	415	9,523
Support of School of Architecture at Taliesin	(576,147)	-	-	-	-	-	626,147	50,000	-	-	50,000
Cost of goods sold	-	906,137	-	-	-	-	-	906,137	-	-	906,137
Reservation expense	-	-	270,722	-	-	207	-	270,929	-	-	270,929
Miscellaneous/other	2,677	20,075	69,118	82,685	100,540	3,708	1,352	280,155	150,610	1,464	432,229
Total	$ 1,779,807	$ 1,489,511	$ 1,557,919	$ 621,702	$ 646,375	$ 238,963	$ 1,169,032	$ 7,503,309	$ 855,617	$ 269,029	$ 8,627,955

See accompanying notes.

	Years Ended July 31, 2019	Years Ended July 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 911,427	$ 425,790
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	673,350	635,636
Bad debt expense	-	100,000
Unrealized/realized gain on investments	(80,259)	(54,490)
In-kind contributions of assets	(138,631)	(186,792)
Change in assets and liabilities		
Accounts receivable	(35,308)	(63,561)
Pledges receivable	(903,173)	-
Retail inventories	(5,761)	25,127
Prepaid expenses	2,220	(102,784)
Other assets	(38,191)	-
Accounts payable	(175,338)	228,603
Accrued expenses	30,911	(27,810)
Deferred revenue	(27,670)	(56,260)
Net cash provided by operating activities	213,577	923,459
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, and equipment	(906,608)	(476,556)
Additions to archive, art objects, and drawing library collection	(2,620)	(1,039)
Purchase of investments	(79,046)	(363,473)
Proceeds from sale of investments	402,575	54,709
Transfer of School cash and cash equivalents	-	(632,546)
Net cash used for investing activities	(585,699)	(1,418,905)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease payable	(17,601)	(17,267)
Payments on long-term benefit	-	(7,500)
Payments on line of credit	(697,857)	(775,510)
Borrowings on line of credit	1,220,000	635,000
Net cash provided by (used for) financing activities	504,542	(165,277)
NET CHANGE IN CASH AND CASH EQUIVALIENTS	132,420	(660,723)
CASH AND CASH EQUIVALENTS, beginning of year	531,854	1,192,577
CASH AND CASH EQUIVALENTS, end of year	$ 664,274	$ 531,854
NON-CASH INVESTING AND FINANCING TRANSACTIONS		
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 15,858	$ 8,072
NONCASH ACTIVITIES		
Transfer of School noncash assets and liabilities	$ -	$ 1,361,790

See accompanying notes.

Note 1 – Nature of Organization and Significant Accounting Policies

Description of organization – The Frank Lloyd Wright Foundation (the "Foundation") was formed under the laws of the State of Arizona as a nonprofit corporation.

The Frank Lloyd Wright Foundation owns both Taliesin West in Arizona and Taliesin in Wisconsin (which are designated as national historic landmarks and UNESCO World Heritage sites), owns and stewards the intellectual property and approved use of everything Wright designed or created (including licensed products and reproductions), and engages in a variety of meaningful outreach programs and partnerships.

Effective August 1, 2017, the Frank Lloyd Wright School of Architecture (the "School") was split from the Foundation as a separate legal entity, now known as The School of Architecture at Taliesin (the "School"). The School operates as an entity independent from the Foundation. All assets and liabilities related to the School were contributed to the School by the Foundation on August 1, 2017. The net assets transferred to the School on August 1, 2017, totaled $1,994,336 and included primarily cash, investments, and pledges receivable. Control of the School does not rest with the Foundation, and therefore, the financial results of the School are not reported in these financial statements.

Basis of accounting – The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The Foundation adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, and has adjusted the presentation of these statements accordingly. This ASU revises the current net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU has been applied retrospectively to all periods presented. In accordance with ASU 2016-14, unrestricted net assets as of August 1, 2017, have been reclassified as net assets with donor restrictions as follows:

	As Adjusted	
	Without Donor Restrictions	With Donor Restrictions
As previously reported:		
Unrestricted	$ 15,019,309	$ -
Temporarily restricted	-	1,324,352
Permanently restricted	-	411,227
	$ 15,019,309	$ 1,735,579

Cash and cash equivalents and concentration of risk – The Foundation classifies all highly liquid short-term investments with an original maturity of 90 days or less as cash equivalents. Periodically during the year, the Foundation maintains cash in financial institutions in excess of federally insured limits. The Foundation has not experienced any losses in such accounts.

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Accounts receivable – The Foundation grants unsecured credit to its licensees and others, without interest. Management considers accounts over 60 days to be past due. Management provides an allowance for doubtful accounts based upon prior experience and management's assessment of the collectability of existing specified accounts through a charge to earnings and a credit to a valuation allowance. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Foundation generally does not charge interest on overdue customer account balances. As of July 31, 2019, no allowance was recorded. As of July 31, 2018, the allowance was $100,000.

Pledge receivables – Pledge receivables represents future amounts the Foundation will receive from donors and government agencies. The Foundation records pledges receivable when revenue recognition criteria are met. Management provides an allowance for doubtful pledges based upon prior experience and management's assessment of the collectability of existing specified accounts through a charge to earnings and a credit to a valuation allowance. As of July 31, 2019 and 2018, no allowance was recorded.

Retail inventories – The Foundation measures inventory at the lower of cost and net realizable value. Cost is determined using the FIFO (first-in, first-out) method.

Investments – Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment gain/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying consolidated financial statements.

Property, plant, and equipment – Property, plant, and equipment items that are purchased are recorded at cost. Donations of property and equipment are recorded as in-kind revenues at the asset's fair market value on the date of donation. The Foundation follows the practice of capitalizing all expenditures for equipment in excess of $1,000. Property, plant, and equipment are depreciated over the estimated useful lives of the related assets principally on an accelerated method using the following lives:

	Years
Buildings and improvements	5–30
Furniture, fixtures, and equipment	5–10
Transportation equipment	5
Land improvements	5–19

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Maintenance and repairs are charged to expense and renewals, and betterments are capitalized.

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Equipment leased under capital leases are stated at the lesser of the present value of the minimum lease payments during the lease term or the fair market value at the date they were placed into service. Amortization is provided using the straight-line method over the lesser of the term of the lease or the estimated useful lives of the assets and is included with depreciation expense on owned assets.

The Foundation reviews the carrying values of property, plant, and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended July 31, 2019 and 2018.

Archives, art objects, and drawing library collections – The Foundation capitalizes contributions to its archive, art object, and drawing library collections. The original archive is recognized at a nominal value of $1. Subsequent additions to the collections are recognized at the cost of the acquired items. Ongoing preservation and restoration costs are capitalized as incurred. Standard guidelines for works of art on paper are used to protect and preserve the collection.

Net assets – The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are assets not subject to stipulations imposed by the donor and are currently available for expenditures. Net assets without donor restrictions include net assets transferred from net assets with donor restrictions after restrictions imposed by the donor have been accomplished or the stipulated time period has elapsed. Net assets without donor restrictions include those funds presently available for use by the Foundation at the discretion of management. The board of trustees of the Foundation has placed a designation on certain funds in the amount of $1,669,050 and $2,049,244 as of July 31, 2019 and 2018, respectively, which is designated for the preservation of buildings and other assets owned by the Foundation and the funding of certain projects within the Foundation.

Net assets with donor restrictions are assets subject to explicit restrictions imposed by the donor on the expenditure of contributions or income and gains on contributed assets. The restrictions may expire due to the passage of time or the occurrence of expenditures that fulfill the restrictions. Net assets with donor restrictions also includes assets that are subject to the donor's specifications that the principal balance be maintained in perpetuity and only the interest and dividend income or a portion of the income is available for restricted purposes as specified by the donor or, if not specified, for general purposes at the discretion of management. As of July 31, 2019 and 2018, there were no net assets required to be maintained in perpetuity.

Revenue recognition and deferred revenue – The Foundation recognizes revenue from the retail store, visitation, and education programs when services are provided or when the goods and merchandise are sold. Licensing program (royalty) revenue is recognized as a percentage of product sales made by licensees of the Foundation. Cash payments received for future tours or orders of sculptures are recorded as deferred revenue.

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Contributions received, including unconditional promises to give, are recognized as revenue in the period the promise is received. All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restrictions.

Donated assets and services – Items donated as gifts in-kind that are used in the Foundation's programs are recorded as income and expense at the time the items are received, which is normally also the time they are placed into service. Donations of library books, collections, or items which meet the capitalization threshold are recorded as assets.

Contributed building and land improvements are recorded at fair value at the date of donation as net assets without donor restrictions and revenue unless the use of the assets is limited by a donor-imposed restriction. Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets or would have been purchased if not provided by donation, require specialized skills and are provided by individuals possessing such specialized skills.

The Foundation recorded in-kind donations and contributed services for the year ended July 31, 2019, of $170,132, of which $61,776 were capitalized as property, plant, and equipment and $76,855 of in-kind art object restoration services were capitalized. For the year ended July 31, 2018, the Foundation recorded $199,998 of in-kind donations and contributed services of which $186,792 were capitalized as property, plant, and equipment.

Community members in Arizona and Wisconsin volunteered as tour guides, administrative assistants, and facilities technicians. A dollar valuation of their effort is not reflected in the financial statements because it does not meet the criteria for recognition. Volunteer hours for the years ended July 31, 2019 and 2018, were 19,832 and 9,518 (unaudited), respectively.

Functional allocation of expenses – The cost of providing the Foundation's various programs and other activities has been summarized on a functional basis in the accompanying statement of activities and statement of functional expenses. Certain costs have been allocated among the programs and supporting services benefited based on an analysis of time and expenses. Administrative expenses are allocated based on the number of employees assigned to the program or activity. Facility related expenses are allocated based on actual square footage of space used in each program or activity. All other expenses are recorded directly to the program or supporting service benefited.

Advertising – Advertising costs are charged to operations as incurred. Advertising expense for the years ended July 31, 2019 and 2018, was $271,565 and $249,784, respectively.

Income taxes – The Foundation is organized as an Arizona nonprofit organization and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3) and has been determined not to be a private foundation under Section 509(a)(1). The Foundation files annually a Return of Organizations Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is generally subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose.

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Management has determined the Foundation has no taxable unrelated business income.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications – Certain prior year amounts have been reclassified to conform with the current year's presentation. The reclassifications had no effect on the Foundation's financial position or changes in net assets.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Foundation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before financial statements are available to be issued.

The Foundation has evaluated subsequent events through October 31, 2019, which is the date the financial statements are available to be issued.

Note 2 – Availability and Liquidity

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to conservatively maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and investments in equity securities, bonds, and money market funds. The Foundation also has an available line of credit in the amount of $1,000,000 of which $477,857 was available as of July 31, 2019.

Note 2 – Availability and Liquidity (continued)

The following represents the Foundation's financial assets available to meet general expenditures over the next twelve months as of July 31, 2019:

Financial assets at year end:	
Cash and cash equivalents	$ 664,274
Accounts receivable, net	243,689
Pledge receivables	903,173
Investments	2,139,710
Total financial assets	3,950,846
Less amounts not available to be used for general expenditures	
Net assets with donor restrictions	1,722,406
Total financial assets available	$ 2,228,440

Note 3 – Conditional Promises to Give

A signed gift agreement was received from a Scottsdale residential home builder on December 1, 2014. For each home sold by this builder at the planned Cavalliere Ranch in North Scottsdale, $500 will be provided in as-sold quarterly installments after closing and will be gifted for all planned phases of the project. As of June 31, 2019, construction had not yet begun.

Note 4 – Fair Value Measurements

The Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

Note 4 – Fair Value Measurements (continued)

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk, or liquidity profile of the asset or liability.

Corporate bonds and notes are valued using pricing models maximizing the use of observable inputs for similar securities which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. Common stock is valued at the closing price reported on the active market on which the individual securities are traded. Shares of mutual funds, bond funds, close-end funds, and exchange traded funds are valued at the daily closing price as reported by the fund.

Fair value of assets measured on a recurring basis are as follows as of July 31:

	2019			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Corporate bonds and notes	$ 308,146	$ 308,146	$ -	$ -
Marketable equities - common stock	575,624	575,624	-	-
Mutual funds and bond funds	1,236,349	1,236,349	-	-
Close end funds and exchange traded funds	19,591	19,591	-	-
Total investments	$ 2,139,710	$ 2,139,710	$ -	$ -

Note 4 – Fair Value Measurements (continued)

	2018			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Corporate bonds and notes	$ 414,427	$ 414,427	$ -	$ -
Marketable equities - common stock	512,155	512,155	-	-
Mutual funds and bond funds	1,437,385	1,437,385	-	-
Close end funds and exchange traded funds	19,013	19,013	-	-
Total investments	$ 2,382,980	$ 2,382,980	$ -	$ -

Note 5 – Property, Plant, and Equipment

Property and equipment consisted of the following as of July 31:

	2019	2018
Buildings and improvements	$ 11,605,908	$ 11,147,323
Furniture, fixtures, and equipment	5,007,102	4,679,985
Transportation equipment	111,761	111,761
Land improvements	1,890,506	1,569,968
Total depreciable property, plant, and equipment	18,615,277	17,509,037
Less accumulated depreciation and amortization	(9,508,336)	(8,834,657)
Total depreciable property, plant, and equipment, net	9,106,941	8,674,380
Construction in progress	101,508	246,488
Land	878,026	870,573
Total property, plant, and equipment, net	$ 10,086,475	$ 9,791,441

The assets reported in the table above held under capital lease are as follows as of July 31:

	2019	2018
Furniture, fixtures, and equipment	$ 96,131	$ 96,131
Less accumulated amortization	(34,982)	(19,527)
Total capital leases, net of accumulated amortization	$ 61,149	$ 76,604

Note 5 – Property, Plant, and Equipment (continued)

Construction in progress consisted of the following items as of July 31:

	2019	2018
Taliesin West		
Fabric roof study	$ 33,238	$ 33,238
Technology upgrade	43,701	13,000
Carousel roof	-	56,334
Gate	-	5,517
Miscellaneous	-	17,747
Taliesin		
Geothermal project	-	103,950
Hillside drainage	3,855	9,889
Main house restoration	5,036	-
Miscellaneous	15,678	6,813
Total construction in progress	$ 101,508	$ 246,488

Note 6 – Line of Credit

The Foundation has an available revolving line of credit of $1,000,000 that has a variable rate based on the LIBOR rate plus 1.75% (3.97% and 3.86% as of July 31, 2019 and 2018, respectively). The line is collateralized by investments held with the lending institution. As of July 31, 2019, $522,143 was outstanding on the line of credit. No amounts were outstanding as of July 31, 2018. The line is due on demand, although management believes there is no intention by the lending institution to demand payment in the near term.

The Foundation had an available line of credit in the amount of $500,000 that had a variable rate of prime plus 1% (6.00% as of July 31, 2018). The line was uncollateralized, matured on August 10, 2018, and was not renewed. As of August 10, 2018, there was no outstanding balance on the line.

Note 7 – Capital Lease Payable

The Foundation has entered into a capital lease agreement for copiers. The lease requires monthly payments of $1,692, including interest at 3.95%. The maturing date of the copier lease is August 2022. Annual payments of the capital lease are as follows:

Years ending July 31,		
2020	$	20,305
2021		20,305
2022		20,305
Total minimum lease payments		60,915
Amount representing interest		2,062
Present value of minimum lease payments	$	58,853

Note 8 – Related-Party Transactions

As of July 31, 2018, the Foundation and Taliesin Preservation Inc. (“TPI”) had two board members in common. As of July 31, 2019, there were no common board members. In partnership with the Foundation, it is the mission of Taliesin Preservation, Inc. to conserve the masterful buildings and landscape of the Taliesin estate and to educate the public on Frank Lloyd Wright the man, the architect, his architecture, and the ideas that continue to inspire other architects around the world. In-kind gift contributions from TPI of $61,776 and $99,739 were predominately for construction projects in progress during the fiscal years ended July 31, 2019 and 2018, respectively. The Foundation paid approximately $50,000 in payroll expenses for employees of TPI during the fiscal years ended July 31, 2019 and 2018, respectively.

A member of the board of trustees donated in-kind art conservation and restoration services on Asian screens that are an integral part of the art collection installed at Taliesin and Taliesin West. The value of these in-kind services totaled $64,742 and $10,053 during the fiscal years ended July 31, 2019 and 2018, respectively.

Effective August 1, 2017, the School was split from the Foundation as a separate legal entity. The School operates as an entity independent from the Foundation, although the Foundation remains as the sole member of the School. Under a Memorandum of Understanding (MOU) between the Foundation and the School, the Foundation provides certain services and facilities for the School. Under the MOU, the Foundation will provide the School the use of space at Taliesin and Taliesin West as a donated service. The Foundation also provides certain administrative functions for the School. Under the MOU, a declining portion of the shared administrative services were considered as donated services to the School through 2019. This donated portion was exceeded in fiscal years ended July 31, 2019 and July 31, 2018, resulting in reimbursement for a portion of the allocated administrative services. The Foundation provides food service to the School in both locations subject to the School reimbursing the Foundation for its allocated portion of actual expenses.

Note 8 – Related-Party Transactions (continued)

During the fiscal year ended July 31, 2018, a donor requested the Foundation process a grant to support the School. The grant, at the wishes of the donor, was passed through the Foundation to the School. During the fiscal year ended July 31, 2019, the donor revised their Endowment Fund Agreement, designating the Foundation as the beneficiary of the endowment, the purpose of which is to preserve and conserve the spaces occupied by the School at the Taliesin property. The donor required that the Foundation manage the investments of the endowment including those resulting from historical donations. To fulfill the requirements of the agreement, the School board of trustees approved the transfer of the investments totaling $594,571, to the Foundation prior to July 31, 2019. As of July 31, 2019, although the School had instructed the funds to be transferred to the Foundation, the legal transfer was pending. Accordingly, the total was recorded as a pledge receivable as of July 31, 2019. The funds were received by the Foundation on August 5, 2019.

The total support provided to the School during the fiscal years ended July 31, 2019 and 2018, is as follows:

	2019	2018
Facilities use	$ 970,442	$ 882,428
Administrative services	199,422	236,604
Total donated services	1,169,864	1,119,032
Food service expenses	227,397	212,712
Reimbursed food service expenses	(227,397)	(212,712)
Administrative services	123,272	-
Reimbursed administrative services	(123,272)	-
Grant passed through at donor's direction	-	50,000
Total related-party transactions	$ 1,169,864	$ 1,169,032

As of July 31, 2019 and 2018, $52,406 and $52,502 was receivable from the School, respectively.

Note 9 – Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted as follows as of July 31:

	2019	2018
Subject to expenditure for specific purpose		
Preservation and restoration	$ 1,015,624	$ 307,097
Technology upgrade	7,474	229,372
Education program	50,027	3,458
Miscellaneous	5,000	15,000
Total subject to expenditure for specific purpose	1,078,125	554,927
Subject to endowment spending policy	594,571	-
Subject to time restriction		
Future operations	49,710	20,000
Total time-restricted net assets	49,710	20,000
Total net assets with donor restrictions	$ 1,722,406	$ 574,927

Net assets were released from restrictions as follows during years ended July 31:

	2019	2018
Satisfaction of purpose restrictions		
Preservation and restoration	$ 132,662	$ 72,668
Technology upgrade	221,897	77,728
Education program	32,731	24,242
Miscellaneous	15,000	-
Satisfaction of time restrictions		
Future operations	10,000	-
Total releases from restriction	$ 412,290	$ 174,638

Note 10 – Endowment Funds

The Foundation received a donor restricted endowment during the year ended July 31, 2018. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions, considering the laws of the state for endowment management.

Note 10 – Endowment Funds (continued)

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as adopted by the state of Wisconsin as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of explicit donor stipulations, there were no amounts retained in perpetuity as of July 31, 2019 or 2018. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the endowment fund, (2) the purposes of the Foundation and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the investment policies of the Foundation.

The Foundation has adopted investment and spending policies as directed by the donor for its endowment fund. The objective of these policies is to provide the Foundation a long-term growth of principal and maximum return on investment. Funds are invested in equities, bonds, fixed income accounts, or cash accounts as directed by the donor.

The Foundation may appropriate for expenditure or accumulate so much of the endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The maximum annual appropriation amount is limited to 5% of the fair value of the endowment fund investments as of the beginning of the fiscal year.

The changes in endowment net assets for the year ended July 31, 2019, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ -	$ -
Contributions	-	594,571	594,571
Endowment net assets, end of year	$ -	$ 594,571	$ 594,571

Note 11 – Retirement Plan

The Foundation has a defined contribution retirement plan for the benefit of its employees. Employees are eligible to participate in the plan if they are 18 years or older and have completed one year of service. The plan provides for discretionary employer contributions. Discretionary matching contributions for the years ended July 31, 2019 and 2018, totaled $16,619 and $15,867, respectively.